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March 10, 2008

The Honorable Patrick Leahy
Chairman
Committee on the Judiciary
United States Senate
Washington, DC 20510-4502

The Honorable Arlen Specter
Ranking Member
Committee on the Judiciary
United States Senate
Washington, DC 20510-4502

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Dear Chairman Leahy and Senator Specter:

I am writing to express my concerns about efforts to change an important provision of S. 1145, the Patent Reform Act of 2007, as it relates to the inequitable conduct doctrine. In that regard I am relying on my experience gained through almost 50 years of practice in the patent field. I was General Patent Counsel of General Electric Company for about 20 years, then the Commissioner of the Patents and Trademarks Office of the United States during 1990-1992, and finally in private practice for the last 16 years, during which time I have worked in litigation for a diverse group of clients, including both brand and generic drug manufacturers. In all of those endeavors I have had to deal with questions of inequitable conduct, and while I was Commissioner, we revised and reissued PTO Rule 37 CFR 1.56 (Rule 56) to the form in which it essentially exists today. Rule 56 sets forth the Duty of Disclosure which patent applicants and their representatives owe to the PTO and its provisions are often involved in cases in which accusations of inequitable conduct are litigated.

The doctrine of inequitable conduct has for many years been a matter of concern and contention within the legal and business communities involved with the patent system. As one who has participated in patent affairs in various capacities for over half a century, I believe that it would be a mistake to eviscerate the doctrine as it now stands although some legislative modification of it may be justified.

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A strong patent system is desirable to protect the inventions which result from the investments made in research and development by American industry, universities and private individuals. Without patent protection, investments in research and development might well be limited in at least some sectors with the result that the advance of technology beneficial to society as a whole would slow down. The integrity of the examination process and the quality of United States patents are critical elements of that system. It is with this understanding that the inequitable conduct doctrine should be viewed when changes in it are contemplated.

The purpose of the inequitable conduct doctrine is to sanction and thereby discourage cheating by patent applicants and their representatives, not to penalize them for honest mistakes. Unfortunately, the value of a patent, the right to exclude others from practicing the patented invention, has unquestionably led to certain applicants intentionally misleading the Patent and Trademark Office to obtain their patents. Presently, the penalty for such inequitable conduct, if proven to the satisfaction of the court, is that the patent may be declared unenforceable. Such a penalty of course creates a powerful incentive for applicants and attorneys to deal in candor and good faith with the PTO; yet cheating still occurs from time to time.

The present concerns with the doctrine of inequitable conduct and its effects are not new. In the late 1980's the case of *A.B. Dick Co. v. Burroughs Corp.*, 798 F2d 1392 (Fed Cir. 1986) led to considerable discussion within bar association groups concerned with the patent system. In the *A.B. Dick* case, the inventor and the attorney concealed material prior art references from the patent examiner and certain claims were allowed which were not patentable over that reference. However, before a patent was issued, the PTO placed the application in interference with another application. After the interference was terminated, the patent examiner discovered the withheld references and some claims were rejected in the application in light of the references. The claims which were rejected were then cancelled by the attorney and the patent was issued without the invalid claims. Thus, the situation under consideration during litigation was not one of "but for" materiality. The courts nonetheless held the patent unenforceable.

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There were those who then did not like the effect of the *A.B. Dick* case and wished to have it bypassed, if not voided, by changes in the rules of the Patent Office. They wished to have the Patent Office change its rules so that the rules would be violated only in a "but for" situation. The PTO Rules were modified at that point (1992) to make the definition of materiality more precise but not to introduce a "but for" standard in PTO practice. Those of us who worked on the revision of the Rule thought it unwise to provide an excuse for an applicant who tried to cheat but who did not get away with his cheating only because the examiner learned of the withheld information through another route. Also the rule change did not attempt to excuse any other improper conduct in which an applicant might engage.

Since 1992, and even before, Rule 56 has provided that "no patent will be granted on an application in connection with which fraud on the Office was practiced, or attempted or the duty of disclosure was violated through bad faith or intentional misconduct." Thus, the Patent Office has clearly and consistently been concerned with "attempted fraud" and been unwilling to excuse it. It also has recognized that the possibility of a meaningful penalty is important to deter contemplated misconduct.

To change the "but for" standard in judging inequitable conduct or to require that invalidity must be found by a court before inequitable conduct can be considered would, in my opinion, lead to undesirable mischief in patent prosecution. Also, to provide that inequitable conduct could be cured by reissue proceedings also seems unwise since such a change would seriously detract from present deterrents against intentional misconduct.

The present system, of course, involves an all or nothing approach. If inequitable conduct is found, the judge may declare the patent unenforceable (and award attorney fees). However, there are, in effect, degrees of misconduct involving both materiality and intent. Also, the improper conduct of an attorney might not be authorized or even known to his client, yet the client receives the severe sanction of the loss of its patent.¹ Given these considerations,

¹ Similarly, because the improper conduct of a client might not be known to an attorney, sanctions directed only at patent attorneys (such as disciplinary proceedings before the PTO) are insufficient to deter misconduct by anyone other than PTO-registered patent attorneys/agents.

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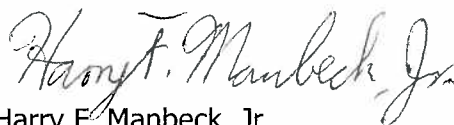
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it would not be unreasonable for the courts, in appropriate circumstances, to have the ability to utilize sanctions which are less severe than total unenforceability of the patent. For example, it seems to me that it would not overly detract from the deterrent effect of the inequitable conduct doctrine for the courts to have the ability to order reasonable royalty licensing, rather than complete enforceability, of a patent found to be tainted with inequitable conduct but yet having only valid claims.

In my opinion, the *A.B. Dick* case illustrates the type of situation in which the sanction of unenforceability is fully justified even though the claims ultimately issued were valid. The inventor himself intentionally withheld material prior art, and barring the fortuitous discovery of that prior art by the examiner, the patent would have issued with invalid claims. The fact that the public was not faced with invalid claims occurred despite the inventor's misconduct. In effect, he tried to rob the bank but did not get away with it.

Considering the above, I believe that the inequitable conduct doctrine should not be changed by legislation so that sanctions for misconduct are ruled out just because the patent claims in question are found to be valid. When inequitable conduct has occurred there should be a penalty enforced against the assertion of the patent in question. That is needed to guard against misconduct before the PTO. However, I believe that it would not be unreasonable for the contemplated legislation to provide the courts with the ability to impose lesser sanctions than complete unenforceability, such as compulsory licensing, if it would be in the interest of justice under the circumstances involved.

Very truly yours,

A handwritten signature in cursive script that reads "Harry F. Manbeck, Jr." The signature is written in dark ink and is positioned above the printed name.

Harry F. Manbeck, Jr.